

Message Text

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ACTION EUR-10

INFO OCT-01 EA-07 ISO-00 FEA-01 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-03 FPC-01 H-01

INR-10 INT-01 L-02 NSAE-00 NSC-07 OMB-01 PM-03 RSC-01

SAM-01 SCI-03 SP-02 SS-14 STR-01 TRSE-00 FRB-01

AGR-03 LAB-01 PA-01 TAR-01 USIA-04 PRS-01 SWF-01

DRC-01 /096 W

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R 111108Z OCT 74

FM USMISSION OECD PARIS

TO SECSTATE WASH DC 3863

INFO AMEMBASSY ANKARA

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OTTAWA

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

LIMITED OFFICIAL USE SECTION 01 OF 02 OECD PARIS 24076

E.O.11652: N/A

TAGS: ETRD, OECD, OVIP (EBERLE, WILLIAM D.)

SUBJECT: AMBASSADOR EBERLE'S PRESIDENTIAL ECONOMIC
MISSION, VISIT TO OECD

1. SUMMARY. AMBASSADOR EBERLE ADDRESSED SPECIAL HEADS

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OF DELEGATION MEETING AT OECD OCT 10. MOST QUESTIONS

WERE POSED BY AMBASSADORS OF COUNTRIES WHICH AMBASSADOR EBERLE WILL NOT BE VISITING AND ON BASIS INSTRUCTIONS THEIR CAPITALS. QUESTIONS RAISED WERE PRIMARILY TO ASK FOR INFORMATION ON VARIOUS ASPECTS OF PRESIDENT'S ECONOMIC MESSAGE, WITH SOME CONCERN SHOWN FOR EFFECT OF ANTI-INFLATION PROGRAM ON U.S. IMPORTS AND OF VOLUNTARY EXPORT RESTRAINTS ON SECURITY OF SUPPLY. END SUMMARY.

2. AMBASSADOR EBERLE SUMMARIZED MAIN POINTS PRESIDENT'S ECONOMIC MESSAGE AT SPECIALLY-CALLED HEADS OF DELEGATION MEETING. FIVE AMBASSADORS POSED QUESTIONS AFTER EBERLE PRESENTATION, OF WHICH FOUR WERE FROM COUNTRIES WHICH AMBASSADOR EBERLE WILL NOT VISIT (TURKEY, DENMARK, SPAIN, NETHERLANDS). SEVERAL AMBASSADORS SPECIFICALLY MENTIONED QUESTIONS WERE BASED ON INSTRUCTIONS FROM CAPITALS.

3. TURKISH AMBASSADOR ASKED WHETHER ECONOMIC PROGRAM TAKES ACCOUNT OF POSSIBLE IMPACT ON INFLUX OF PETRO-DOLLARS INTO U.S. GOVERNMENT SECURITIES. AMBASSADOR EBERLE NOTED THAT ONLY 25 PERCENT OF TOTAL \$30 BILLION FLOW WAS COMING TO THE U.S., AND THIS FLOW WAS BEING HANDLED SATISFACTORILY AT PRESENT. U.S. INTENDS TO WORK CLOSELY WITH OTHER COUNTRIES TO FORESTALL POSSIBLE FUTURE PROBLEMS IN THIS AREA.

4. DANISH AMBASSADOR ASKED WHETHER NET EFFECT OF PROGRAM ON U.S. ECONOMY WOULD BE RESTRICTIVE OR EXPANSIONARY. AMBASSADOR EBERLE REPLIED THAT PROGRAM WAS BOTH NEUTRAL AND POSITIVE IN ITS IMPACT; NEUTRAL WITH REGARD TO MONETARY RESTRAINT, BUT POSITIVE WITH REGARD TO CUSHIONING EFFECT ON MOST SEVERELY AFFECTED PARTS OF ECONOMY. PROGRAM WILL HELP TO CURB INFLATION LEADING TO FALL IN INTEREST RATES, WHICH IN TURN WILL CONTRIBUTE TO RECOVERY. DANISH AMBASSADOR ALSO ASKED IF U.S. CONSIDERS PRESENT AGRICULTURAL SUPPLY SHORTAGES AS PERMANENT PHENOMENON OR AS RESULT OF SHORT-TERM CROP INADEQUACIES. HE WAS CONCERNED THAT REMOVAL OF ALL U.S. PRODUCTION RESTRAINTS MIGHT AGAIN RESULT IN EXCESS SUPPLY. AMBASSADOR EBERLE SAW NO IMMEDIATE DANGER OF SURPLUS DEVELOP-

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ING, SINCE (A) LDC'S ARE IN CONSTANT AND GROWING NEED OF SUPPLIES; (B) WORLD STOCKS NEED REPLENISHMENT TO PROTECT AGAINST FUTURE SHORTAGES; AND (C) THERE MAY WELL BE CONTINUING DEMAND FROM SOVIET UNION FOR ADDITIONAL FOOD SUPPLIES AS STANDARDS RISE IN THAT COUNTRY. QUESTION OF BALANCING AVAILABLE SUPPLY WITH MARKET DEMAND WAS MAJOR ISSUE BEFORE WORLD FOOD CONFERENCE CURRENTLY UNDERWAY IN ROME. DANISH AMBASSADOR CONCLUDED BY ASKING WHETHER

VOLUNTARY RESTRAINT ON AGRICULTURAL EXPORTS WOULD MEAN THAT TRADITIONAL CUSTOMERS MIGHT BE UNABLE TO OBTAIN FULL AMOUNT OF THEIR NEEDS. AMBASSADOR EBERLE REPLIED THAT ALL SUCH CUSTOMERS WILL BE ABLE TO FILL NORMAL CONSUMPTION NEEDS BUT WOULD NOT BE ABLE TO REPLENISH STOCKS DURING COMING YEAR.

5. FRENCH AMBASSADOR INQUIRED REGARDING IMPACT OF PROGRAM ON LABOR RELATIONS AND WAGE NEGOTIATIONS, TO WHICH AMBASSADOR EBERLE REPLIED THAT MOST MAJOR WAGE NEGOTIATIONS, EXCEPT COAL, ARE ALREADY COMPLETED AND GENERAL PROSPECTS FOR AVOIDING LARGE WAGE INCREASES ARE FAVORABLE. HE CONSIDERED IT LIKELY THAT LABOR UNIONS WOULD GIVE PRESIDENT'S PROGRAM ADEQUATE CHANCE TO DEMONSTRATE ITS EFFECTIVENESS. HOWEVER, NEGOTIATIONS WITH COAL MINERS IN MID-NOVEMBER MAY BE DIFFICULT DUE TO

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AGR-03 LAB-01 PA-01 TAR-01 USIA-04 PRS-01 SWF-01

DRC-01 /096 W

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R 111108Z OCT 74

FM USMISSION OECD PARIS
TO SECSTATE WASH DC 3864
INFO AMEMBASSY ANKARA
AMEMBASSY BONN
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LEADERSHIP CONFLICT IN UNIONS.

6. NETHERLANDS AMBASSADOR ASKED REGARDING MEASURES TO
RELIEVE UNEMPLOYMENT, ESPECIALLY WHETHER SIX PERCENT
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LEVEL WAS CYCLICAL OR STRUCTURAL IN NATURE. HE SUGGESTED
ACTION MEASURES MIGHT BE TOO LATE IF SIX PERCENT LEVEL
WAS CYCLICAL, IN VIEW OF TIME LAGS. AMBASSADOR EBERLE
EXPRESSED VIEW THAT IT WAS NOT TOO LATE TO START AT SIX
PERCENT LEVEL, AND NOTED THAT COMMUNITY IMPROVEMENT
CORPS WOULD GO INTO EFFECT IF LOCAL UNEMPLOYMENT REACHED
6.5 PERCENT LEVEL, EVEN IF SIX PERCENT NATIONAL LEVEL
WAS NOT REACHED.

7. SPANISH AMBASSADOR EXPRESSED CONCERN REGARDING EFFECT
OF PROGRAM ON U.S. IMPORTS. HE NOTED IMPORTANCE OF U.S.
MARKET TO OECD EXPORTERS AND HOPED THEIR EXPORTS WOULD
NOT BE ADVERSELY AFFECTED BY NEW PROGRAM. AMBASSADOR
EBERLE REPLIED THAT UNDER PRESENT U.S. TRADE POLICIES
IMPORTS WOULD CONTINUE TO RISE EVEN IF GNP GROWTH WAS
FLAT. IMPORTANT FACTOR, IF U.S. TRADE POLICIES REMAIN
LIBERAL, WAS FOR ALL COUNTRIES TO AVOID RESTRICTIONS ON
TRADE, IN ACCORDANCE WITH OECD TRADE PLEDGE.

8. OECD SECRETARIAT (JOHN FAY) SUMMARIZED IMPACT OF
PROGRAM ON U.S. ECONOMY AS BEING LARGELY NEUTRAL. THUS,
MAIN THRUST OF ANTI-INFLATION PROGRAM WOULD REMAIN
UNCHANGED, IMPLYING ACCEPTANCE OF PROTRACTED COOLING-
OFF PERIOD. LATEST MEASURES GIVE RELIEF TO CERTAIN
SECTORS (E.G., EMPLOYMENT AND HOUSING) WHILE COOLING-
OFF PROCESS CONTINUES. ON DEMAND SIDE, PROGRAM SEEMS
TO STRESS IMPROVED EFFICIENCY AND STIMULATION OF BUSI-
NESS INVESTMENT BY MEANS OF TAX CREDIT. FAY ASKED IF
TAX CREDIT WAS TO BE OF TEMPORARY NATURE, SINCE IT WOULD
HAVE BETTER CHANCE OF ENCOURAGING BUSINESSMEN TO ADVANCE

THEIR INVESTMENT PLANS IF THERE WAS CLEAR TERMINATION DATE. AMBASSADOR EBERLE REPLIED THAT TAX CREDIT WAS NOT OF LIMITED DURATION, BUT HE BELIEVED BUSINESSMEN WOULD RESPOND PROMPTLY FOR FEAR THAT IT MIGHT SUBSEQUENTLY BE RESCINDED BY CONGRESS.

9. WE BELIEVE PRESENTATION TO OECD WAS VERY MUCH APPRECIATED BY PERMREPS AND WAS ESPECIALLY USEFUL TO THOSE COUNTRIES WHICH WILL NOT HAVE BENEFIT OF DIRECT DISCUSSIONS WITH AMBASSADOR EBERLE.

TURNER

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